
**Technology, Energy &
Communications Committee**

HB 2400

Brief Description: Creating a sustainable energy trust.

Sponsors: Representatives Morris, Morrell, Hasegawa, Murray, Hudgins, Dickerson, B. Sullivan, Ericks, Sells, O'Brien and Green.

Brief Summary of Bill

- Allows for a System Benefit Charge to be collected monthly from all retail electricity customers for ten years.
- Creates the Sustainable Energy Trust to fund distributive generation projects below one megawatt.

Hearing Date: 1/13/06

Staff: Scott Richards (786-7156).

Background:

System Benefit Charge

System Benefit Charges, also known as public benefit funds, public purpose charges, or public good charges, are state-controlled funds generated by levying a small surcharge on consumer electricity usage. Typically, state programs have been developed through the electric utility restructuring process as a measure to ensure continued support for renewable energy resources, energy efficiency initiatives, and low-income support programs. However, Vermont and Wisconsin have passed system benefits legislation without restructuring.

According to the Database of State Incentives for Renewable Energy (DSIRE), as of September 2005 there were 15 state funds, making available approximately \$4 billion by 2017 to promote renewable and clean energy.

Funding Mechanisms

State-level funds are most commonly supported through a charge to all customers on electricity consumption. However, funds can receive money in lump sums either as a result of a settlement of a utility merger or sale of generation assets.

The most common approach used by states is a system benefits charge consisting of a small non-by-passable per kWh charge on the electric distribution service. This charge is considered to be

competitively neutral because customers pay the charge no matter who their generation supplier is. Twelve states have adopted this type of approach. In the alternative, some states have used approaches where either the funding is embedded in rates or provided through a flat monthly fee, rather than a per kilowatt-hour charge.

Most states require that all customers pay into the fund. Oregon is a notable exception, allowing large customers (greater than 1 MW) to take a "credit" against the public benefit charge for documented self-spending on energy efficiency projects. Plus, Oregon allows for a special discounted per kWh charge for aluminum smelters.

Fund Administration

About half of the states with system benefit charges rely principally upon the individual utilities to administer the programs, while the other half feature some type of non-utility administration, relying on either public or quasi-public agencies or independent non-profit organizations. Over time, there has been a migration towards independent, non-utility administration of public benefits programs.

Summary of Bill:

Sustainable Energy Trust

The Sustainable Energy Trust is established to fund distributive generation projects below one megawatt connected to the distribution transmission of an electric utility. Revenue to the fund consists of system benefit charge money received as part of this act.

System Benefit Charge

All electric and natural gas companies must collect a system benefit charge monthly from all retail electricity customers within its service area for ten years. The monthly charge is as follows:

- Five cents per month on each account for residential electric service.
- Five cents per month on each account for residential natural gas service.
- Fifty cents per month on each account for nonresidential electric service that has less than ten megawatts of peak demand during the previous calendar year.
- Fifty cents per month on each account for nonresidential electric service that has less than ten megawatts of peak demand during the previous calendar year
- Thirty-seven dollars and fifty cents per month on each account for nonresidential electric service that had ten megawatts or greater of peak demand during the previous calendar year.
- Thirty-seven dollars and fifty cents per month on each account for nonresidential natural gas service that had ten megawatts or greater of peak demand during the previous calendar year.
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All system benefit charges collected must be deposited in the Sustainable Energy Trust Fund. The state treasurer will be the custodian of the Sustainable Energy Trust Fund and the Energy Policy Office of the Department of Community, Trade and Economic Development (CTED) will be solely responsible to authorize expenditures from the fund.

Sustainable Energy Grant Program

The CTED is authorized to establish and manage a competitive, sustainable energy projects grant program. The purpose of the program is to foster the growth, development and commercialization of distributive generation projects and to stimulate demand for distributive generation. The CTED must establish program performance benchmarks, review the grant program periodically and

report the results to the legislature annually. The CTED must form a peer review committee with recognized expertise to assist the department in the development of a comprehensive plan, expenditures of funds and independent review of grant program proposals.

In administering the grant program, the CTED shall develop criteria for the awarding of grants and make grant awards. The CTED shall seek to provide a balance between research grant awards and grants that support the manufacture, commercialization, deployment and installation of distributive generation technologies.

Appropriation: None.

Fiscal Note: Requested on 1/04/06.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.